

Transportation Finance Needs Realignment

by Win Evarts

Since transportation of people and goods are an essential part of commerce, it would seem like common sense that if you wanted more businesses to locate in your state, you wouldn't maintain the highest tax on diesel fuel and the third highest tax on gasoline in the U.S. However, this is Connecticut's policy. Why are the gasoline and diesel taxes so high? Because the growth in transportation expenditures have outpaced the growth in transportation system revenues for a long time. This imbalance can be attributed partly to rising costs associated with major project delays, shrinking federal support and age of infrastructure. Here are some thoughts on trying to reduce this regressive tax and substituting other transportation revenues:

- Many states successfully implement toll road programs to fund highway maintenance and improvement budgets and align user fees with road use with little impact on travel times. Examples of states where technologically advanced toll collection is employed include Massachusetts, Pennsylvania and Delaware.
- Aligning fees with use also allows for a regime of more accurate pricing and sizing of public goods by linking funding and budgeting to the actual behavior that creates the need for the expenditure. The steady revenue associated with tolling provides another source of income to make potential bond investors more comfortable or to act as a funding stream for current expenditures. For example, a study done to assess replace or repair options for Hartford's I-84 Viaduct estimated that 175,000 vehicles use that .75 mile section of road daily. A \$1.00 toll of the Hartford I-84 Viaduct volume of traffic would generate at least \$40 million of transportation revenue annually.
- This fee/use alignment also allows government to encourage broader use of mass transit and alternative means of commutation (e.g. bicycles as implemented in New York City) by transparently taxing certain behaviors to incentivize other behaviors. Broader use of mass transit and alternative commutation would have a positive impact on congestion and the environment.

While Connecticut's precarious fiscal situation may not allow for any more than an exchange of one revenue source for another, changing the transportation finance mechanism to one that more closely aligns user fees to use, increases transparency, dedicates raised monies for transportation infrastructure development and alleviates a regressive tax will improve conditions in Connecticut for businesses, residents and visitors.

Gasoline and diesel taxes from American Petroleum Institute a/o 4/25/14

<http://www.api.org/oil-and-natural-gas-overview/industry-economics/~media/Files/Statistics/state-motor-fuel-taxes-report-summary.pdf>

<http://www.crcog.org/publications/TransportationDocs/Viaduct/Report110216.pdf>

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